

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO CERTAIN
APPAREL OF TWO-WAY STRETCH TWILL FABRIC
FROM CARIBBEAN BASIN COUNTRIES**

Investigation No. 332-458-008

August 2004



Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-458-008

Products	Apparel of two-way stretch twill fabric
Requesting Parties	Pressman-Gutman Co., Inc., New York, NY
Date of Commission Report: USTR Public	July 30, 2004 August 2004
Commission Contact	Vincent DeSapio (202-205-3435; vincent.desapio@usitc.gov)

NOTICE

**THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON JULY 30, 2004. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (**).**

Summary of Findings

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Caribbean Basin countries from certain twill fabric, regardless of the source of the fabric, likely would have no adverse effect on U.S. textile producers and their workers, because there currently is no known domestic production of the subject fabric or the yarn used to produce it. One U.S. textile producer, Burlington Industries LLC, states that it has the ability and capacity to produce the subject fabric. The proposed preferential treatment would likely have a negligible adverse effect on U.S. producers of apparel of the subject fabric, and their workers. Further, the proposed preferential treatment would likely benefit U.S. firms making apparel in eligible countries from the fabric, and their U.S.-based workers, as well as U.S. consumers.

Background

On February 2, 2004, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-458, *Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2004 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).¹

The Commission's advice in this report relates to a petition received by CITA on June 18, 2004, alleging that certain twill fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries from such fabric, regardless of the source of the fabric. The

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Feb. 9, 2004 (69 F.R. 6003) and consult the Commission's website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

President is required to submit a report to the House Committee on Ways and Means and to the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.²

Discussion of the product

The petition states that the subject fabric is classified in subheading 5515.11.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for woven fabrics of polyester staple fibers, mixed mainly or solely with viscose rayon staple fibers. The subject fabric is a dyed two-way stretch twill fabric containing, by weight, 62 percent staple polyester, 33 percent staple rayon, and 5 percent filament spandex. The fabric is woven with three-ply yarns, consisting of two 40s polyester-rayon blend staple yarns combined with a 40 denier filament spandex yarn in both the warp and filling to provide two-way stretch. The fabric weighs 285 grams per square meter and contains 40.9 warp ends and 27.6 filling picks per centimeter. Apparel made of the fabric is classified in HTS chapter 62 (apparel, not knitted or crocheted) and is subject to high general rates of duty for synthetic fiber apparel (e.g., 16 percent ad valorem for skirts, 26.9 percent ad valorem for blouses, and 28.6 percent ad valorem for women's pants in 2004).

The petitioner, Pressman-Gutman Co., New York, NY, stated that it imports the subject fabric from China for customers that cut and sew the fabric into women's blouses domestically.³ The firm stated that it also imports apparel made in the CBTPA region (***) from the subject fabric. The petitioner asserted that the domestic mills from which it had purchased polyester-rayon fabrics similar to those named in the petition are no longer in business.⁴ According to the petitioner, domestic mills making fabrics similar to the subject fabrics are typically specialty mills that normally do not specialize in apparel fabrics or do not use the kind of yarns used to make the subject fabric. The petitioner stated that the particular quality of the subject fabric that makes it unique relative to other fabrics is that it is made with fine-count polyester-rayon yarns. The firm stated that fine-count polyester-rayon yarns are not made domestically and that such yarns typically are not used in fabrics produced domestically. According to the firm, no domestic finishing mill has been able to finish two-way stretch polyester-rayon fabrics commercially.

Discussion of affected U.S. industries, workers, and consumers

Commission staff contacted U.S. textile producers identified in the petition or by industry officials as possible sources of the subject polyester-rayon fabric, or yarn of a kind used to make the subject fabric, but none of these firms stated that it currently produces either product, as discussed below.⁵ One U.S. producer, Burlington Industries LLC, states that it has the capability to produce the subject fabric.

Yarn producers

Commission staff contacted five U.S. yarn producers identified by industry sources as possible sources of yarn of a kind used to make the subject fabric: Patrick Yarn Mills, Kings Mountain, NC; Ramtex Inc.,

² In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

³ Information in paragraph is from the petition filed with CITA by Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP, on behalf of Pressman-Gutman Co., Inc., June 18, 2004, and Laurence M. Friedman, Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP, telephone interview by Commission staff, July 27, 2004.

⁴ According to the petitioner, the mills no longer in business included J.P. Stevens, Marion Mills, Stonecutter Mills Corp., Reeves Bros. Inc., and United Merchants and Manufacturers.

⁵ In general, the manufacturing progression for textiles is: (1) fibers are processed into yarns, (2) yarns are made into fabrics, (3) fabrics are cut into components, and (4) components are sewn into finished goods.

Ramseur, NC; National Spinning Co., Shelby, NC; Broadnax Mills, Broadnax, VA; and Carolina Mills, Maiden, NC. Although none of these firms stated that it produces the yarn, one firm stated that similar yarns had been made domestically in the past and that there is no technical reason preventing U.S. mills from making the yarn today. According to this firm, the yarn is not made domestically because there is little domestic production of the apparel articles for which the subject fabric and the specified yarn would be used (mainly blouses).⁶

Fabric producers

Commission staff contacted seven U.S. fabric producers identified in the petition or by industry officials as possible sources of the subject polyester-rayon fabric, but none of them stated that it produces the fabric. However, Burlington Industries LLC, Greensboro, NC, on behalf of the International Textile Group (ITG, its parent company), stated that it has the production capacity to produce the subject fabric from purchased yarn in large volumes at two ITG plants, but would not accept an order for such fabric at price points that would undermine its long-term profitability. Burlington stated that it makes polyester/rayon fabric without spandex for the uniform trade and wool fabric with spandex and, therefore, has “the ability to operate in these markets.” Burlington is an integrated producer of finished textile goods and employs between *** workers.⁷

Inman Mills, Inc., Inman, SC, stated that it produces greige (unfinished) fabrics for the apparel and home furnishings industries and employs *** workers. The firm stated that it does not produce the subject fabric ***.⁸

Texfi Industries, Inc., New York, NY, stated that it employs *** workers and operates a weaving mill in Radford, VA, and a dyeing and finishing mill in Edenton, NC. The firm stated that it does not produce the subject fabric ***.⁹

Johnston Textiles, Inc., Columbus, GA, stated that it operates mills in Opp and Phoenix, AL, and employs *** workers. The firm stated that it produces greige and finished goods, primarily for the apparel and upholstery industries. Johnston stated that it does not produce the subject fabric ***.¹⁰

Schneider Mills, Inc., New York, NY, stated that it has greige fabric mills in Taylorsville and Forest City, NC, and employs *** workers. The firm stated that ***. The firm cited sourcing of the polyester-rayon yarn domestically as a potential problem in producing the subject fabric.¹¹

Two other U.S. fabric producers contacted by Commission staff (Milliken & Co., Spartanburg, SC, which employs nearly *** workers, and Wade Manufacturing Co., Wadesboro, NC, which employs nearly *** workers), each stated that it does not produce the subject fabric.¹²

Views of interested parties

No written submissions were filed with the Commission.

⁶ *** , telephone interview by Commission staff, July 26, 2004.

⁷ Joe Gorga, President & Chief Executive Officer, Burlington Industries LLC, written submission to CITA, July 8, 2004.

⁸ *** , telephone interview by Commission staff, July 7, 2004.

⁹ *** , telephone interview by Commission staff, July 7, 2004.

¹⁰ *** , telephone interview by Commission staff, July 7, 2004.

¹¹ *** , telephone interview by Commission staff, July 19, 2004.

¹² Telephone interviews by Commission staff with *** , July 12, 2004, and *** , July 20, 2004.

Probable economic effect advice¹³

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible CBTPA beneficiary countries from the subject fabric, regardless of the source of the fabric, would likely have no adverse effect on U.S. yarn or fabric producers, or their workers, because there is no known domestic production of the subject fabric or the yarn used to make the fabric. One U.S. fabric producer, Burlington Industries LLC, stated that it has the ability and capacity to produce the subject fabric.

The proposed preferential treatment likely would have a negligible adverse effect on U.S. producers of blouses and other apparel articles made from the subject fabric, and on their employees. It is believed that the U.S. market for such apparel is small and supplied largely by imports. The expected increase in imports of apparel made in eligible CBTPA countries from the subject fabric would likely displace mostly imports from other countries, because U.S. production is likely for niche markets or quick response programs. The proposed preferential treatment would likely benefit U.S. firms making apparel in eligible CBTPA countries from the subject fabric by increasing the supply and availability of such fabrics. The proposed preferential treatment also would likely benefit U.S. consumers of apparel made from the subject fabric to the extent that importers pass on some of the duty savings to retail consumers.

¹³ The Commission's advice is based on information currently available to the Commission.